

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

ERA FRANCHISE SYSTEMS, INC. : CIVIL ACTION
:
v. :
:
LOGAN & LOGAN ASSOCIATES, INC. :
d/b/a/ ERA LOGAN & LOGAN :
ASSOCIATES, INC., t/a LOGAN :
& LOGAN REALTORS : NO. 98-0447

**FINDINGS OF FACT, CONCLUSIONS OF LAW
AND FINAL JUDGMENT**

HUTTON, J.

October 8, 1998

In this action, Plaintiff ERA Franchise Systems, Inc. ("ERA") sues Defendants Logan & Logan Associates, Inc., ERA Logan & Logan Associates, Inc. and Logan & Logan Realtors for damages arising from the Defendants use of the ERA trademark. ERA charged the Defendants with violating 15 U.S.C. §§ 1114 and 1125(a), (c) (1994) of the Lanham Act. The Court held a bench trial on ERA's claims on September 17, 1998. In accordance with Federal Rule of Civil Procedure 52(a), the Court now enters the following findings of fact and conclusions of law.

I. FINDINGS OF FACT

1. Plaintiff ERA Franchise Systems, Inc. ("ERA") is a corporation organized and existing under the laws of the State of Delaware with its principal place of business at 6 Sylvan Way,

Parsippany, New Jersey and is the successor in interest to Electronic Realty Associates, L.P.

2. Defendant Logan & Logan Associates, Inc. d/b/a ERA Logan & Logan Associates, Inc. ("Logan & Logan"), is a corporation organized and existing under the laws of the State of Pennsylvania, with its principal place of business at 161 West Dekalb, King of Prussia, Pennsylvania 19406.

3. This Court has subject matter jurisdiction over this action pursuant to 28 U.S.C. §§ 1331, 1338 and 15 U.S.C. § 1121 and, with respect to certain claims, 28 U.S.C. § 1367.

4. ERA is one of the largest real estate brokerage franchise systems in the United States, and is widely known as a provider of real estate brokerage services.

5. ERA trademarks, service marks and logos ("ERA Marks") are on the principal register of the United States Patent and Trademark Office. ERA has the exclusive right to use and to license the ERA Marks and derivations thereof, as well as the distinctive ERA System, which provides real estate brokerage services to the public under the ERA name. ERA and its predecessors have continuously used each of the ERA Marks since the date of their registration.

6. Those registrations are in full force and effect, unrevoked, uncanceled and incontestable pursuant to 15 U.S.C. § 1065.

7. ERA has given notice to the public of the registration of its trademarks and service marks as provided in 15 U.S.C. § 1111.

8. ERA uses or has used the ERA® Marks as abbreviations of its brand name.

9. Through its franchise system, ERA markets, promotes and provides services to its real estate brokerage franchisees throughout the United States. In order to identify the origin of their real estate brokerage services, ERA allows its franchisees to utilize the ERA Marks.

10. ERA has invested substantial effort over a long period of time, including the expenditure of millions of dollars, to develop goodwill in its trade names and trademarks to cause consumers throughout the United States to recognize the ERA Marks as distinctly designating ERA real estate brokerage services as originating with ERA.

11. The value of the goodwill developed in the ERA Marks does not admit of precise monetary calculation, but because ERA is one of the largest real estate brokerage franchise systems in the United States and is widely known as a provider of real estate brokerage services, the value of ERA's goodwill exceeds hundreds of millions of dollars.

12. The ERA Marks are among the famous trademarks in the United States.

13. On or about June 4, 1993, ERA's predecessor entered into a Membership Agreement with Logan & Logan (the "Membership Agreement") for the operation of a ERA real estate brokerage office.

14. Pursuant to paragraph 17 of the Membership Agreement, Logan & Logan was obligated to operate a ERA® real estate brokerage office for a five-year term, during which time Logan & Logan was permitted to use the ERA Marks in association with the operation of its ERA real estate brokerage business as part of ERA's franchise system.

15. Pursuant to paragraph 5A and the Schedule of Fees Exhibit (the "Fee Exhibit") of the Membership Agreement, Logan & Logan was required to pay a fixed monthly membership fee, in the amount specified in the Fee Exhibit based, on Logan & Logan's annual gross sales volume.

16. Pursuant to paragraph 6A and the Fee Exhibit of the Membership Agreement, Logan & Logan was required to pay a transaction fee of \$104.00 for each transaction in which gross commission retained was \$1,040.00 or more.

17. Pursuant to paragraph 15 and the Fee Exhibit of the Membership Agreement, Logan & Logan was required to pay Broker Council Dues in the amount of \$100.00 per month.

18. Pursuant to paragraph 9 and the Fee Exhibit of the Membership Agreement, Logan & Logan agreed to pay, in addition to

all other fees, a monthly contribution to the National Advertising Fund ("NAF") as specified in the Fee Exhibit.

19. Pursuant to paragraph 11 of the Membership Agreement, Logan & Logan agreed to allow ERA to audit Logan & Logan's operations, including its financial record retention systems, to verify monthly membership fees, transaction fees, NAF contributions any other fees due under the Membership Agreement.

20. Pursuant to paragraph 17 of the Membership Agreement, ERA could terminate the Membership Agreement, with notice to Logan & Logan, for various reasons, including its (a) failure to pay, among other things, any financial obligation to ERA and the NAF contributions due under the Membership Agreement and (b) failure to remedy any other material breach of its obligations under the Membership Agreement.

21. Paragraph 17D of the Membership Agreement specified Logan & Logan's obligations in the event of a termination of the Membership Agreement, including its obligation to immediately cease using all of the ERA® Marks and to refrain from doing anything which would indicate that Logan & Logan is or was an ERA franchisee.

22. Pursuant to paragraph 24J of the Membership Agreement, the parties agreed that, in the event a legal action was instituted in connection with the Membership Agreement, the unsuccessful party

would pay "the prevailing party's reasonable attorneys' fees and costs."

23. From the inception of the Membership Agreement, Logan & Logan repeatedly failed to make certain monetary payments in breach of its obligations under the Membership Agreement.

24. By letter dated May 27, 1994 ERA notified Logan & Logan that the Membership Agreement would be terminated within 30 days if Logan & Logan failed to cure its monthly defaults.

25. Logan & Logan failed to cure its monetary defaults within the time permitted and was terminated.

26. On or about November 7, 1994, Logan & Logan's Membership Agreement was reinstated on the condition that should Logan & Logan become delinquent in its monetary obligations under the Membership Agreement, the Membership Agreement would be terminated without notice.

27. On or about December 8, 1994, in connection with the reinstatement of the Membership Agreement, Logan & Logan executed a Promissory Note ("Note") in the amount of \$14,900.00 in favor of ERA's predecessor.

28. On or about August 30, 1995, ERA terminated the Membership Agreement as a result of uncured monetary defaults.

29. By letter dated April 18, 1997, ERA reminded Logan & Logan that it was terminated and had to adhere to its post-termination obligations.

30. By letter dated May 19, 1997 ERA confirmed the termination of the Membership Agreement and advised Logan & Logan that it was to adhere to its post-termination obligations as specified in paragraph 17D of Membership Agreement, including, among other things, the removal or deletion of any reference to ERA from all signs, listings and advertisements and refrain from the use of the ERA® trade names and trademarks in connection with any aspect of Logan & Logan's real estate brokerage business.

31. Logan & Logan failed to comply with its post-termination obligations.

32. The termination of the Membership Agreement precludes Logan & Logan from any further use of the ERA trade name or marks in connection with its real estate brokerage businesses in any way.

33. Since the termination of the Membership Agreement, Logan & Logan has continued to use the ERA Marks in connection with its real estate brokerage services and other real estate-related services at the Approved Location.

34. Logan & Logan continued to misuse the ERA Marks despite receiving notification from ERA to cease and desist from the misuse of the ERA Marks and a preliminary injunction against that use was issued on July 31, 1998.

35. As of May 19, 1997, the amount of the monthly fees and NAF contributions due from Logan & Logan to ERA pursuant to the

Membership Agreement was \$13,004.00 in unpaid monthly membership fees and National Marketing Fund contributions.

36. In addition, Logan & Logan has benefited from its wrongful use of the ERA® Marks after termination of the Membership Agreement and has paid no monthly fees or other fees to ERA in return for this benefit.

37. The amount due from Logan & Logan pursuant to the Note as of May 19, 1997 is \$10,254.63 plus interest.

38. Despite due demand therefore, Logan & Logan has not made any of the payments due under the Note.

39. The amount charged plaintiff for attorneys' fees through the date of trial is \$2,388.11.

II. CONCLUSIONS OF LAW

1. Section 32 of the Lanham Act, 15 U.S.C. § 1114(1)(a), provides in pertinent part that "[a]ny person who shall, without the consent of the registrant - use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive . . . shall be liable in a civil action by the registrant. . . ."

2. Logan & Logan has marketed and promoted and continues to market and promote its real estate brokerage services and other

real-estate related businesses through the unauthorized use of the ERA® Marks, and such use has caused and is likely to continue to cause confusion or mistake among prospective or actual customers, in violation of Section 32 of the Lanham Act.

3. Section 43(a) of the Lanham Act 15 U.S.C. § 1125(a), provides in pertinent part that "[a]ny person who, on or in connection with any goods or services . . . uses in commerce any word, term, name, symbol . . . or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which is likely to cause confusion, or to cause mistake, or to deceive as to affiliation . . . or as to the origin, sponsorship, or approval of . . . goods [or] services . . . shall be liable in a civil action"

4. The acts of Logan & Logan in marketing and promoting its real estate brokerage services at the Approved Location, through and with the ERA Marks, constitutes:

- a. a false designation of origin;
- b. a false and misleading description of fact; and
- c. a false and misleading representation of fact

that has caused and is likely to continue to cause confusion, or to cause mistake, or deception, as to the affiliation of Logan & Logan's real estate brokerage office with ERA, and to cause confusion, or to cause mistake, or deception, to the effect that ERA sponsors or approves of the real estate brokerage services that

Logan & Logan provides at the Approved Location, all in violation of Section 43(a) of the Lanham Act.

5. Section 43(c) of the Lanham Act, 15 U.S.C. § 1125(c), provides in pertinent part that "[t]he owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark, and to obtain such other relief as is provided in this subsection."

6. Logan & Logan's use of the ERA® Marks in connection with goods and services at the Approved Location, after the ERA Marks become famous, has caused and will continue to cause dilution and disparagement of the distinctive quality of the ERA Marks, and has lessened and will continue to lessen the capacity of the ERA Marks to identify and distinguish the goods and services of ERA, all in violation of Section 43(c) of the Lanham Act.

7. Logan & Logan's on-going acts of infringement in violation of Sections 32, 43(a), and 43(c) of the Lanham Act are malicious, fraudulent, willful, and deliberate.

8. Logan & Logan's on-going acts of infringement in violation of Sections 32, 43(a), and 43(c) of the Lanham Act have inflicted and continue to inflict irreparable harm on ERA.

9. ERA has no adequate remedy at law.

This Court's Final Judgment follows.

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 d/b/a/ ERA LOGAN & LOGAN :
 ASSOCIATES, INC., t/a LOGAN :
 & LOGAN REALTORS : NO. 98-0447

FINAL JUDGMENT

AND NOW, this 8th day of October, 1998, as required by Fed. R. Civ. P. 52, IT IS HEREBY ORDERED that this Court enter the attached Findings of Fact and Conclusions of Law.

IT IS FURTHER ORDERED that:

(1) **JUDGMENT** is entered **IN FAVOR OF** Plaintiff ERA Franchise Systems, Inc. **AGAINST** Defendant Logan & Logan Associates, Inc., d/b/a ERA Logan & Logan Associates, Inc., t/a Logan & Logan Realtors;

(2) Ordering that the Defendant **ACCOUNT** to the Plaintiff for any and all profits derived as a result of marketing or promoting its real estate brokerage services and other real estate-related businesses at the Approved Location, or elsewhere, through and with the ERA Marks;

(3) A **PERMANENT INJUNCTION** is issued **AGAINST** the Defendant, its affiliates, subsidiaries, officers, agents, servants, employees and attorneys, and all those who act in concert or participation with them, from marketing or promoting its real estate brokerage

services and other real estate-related businesses, at the Approved Location or elsewhere, through and with the ERA® Marks; and

(4) Entering a **MONEY JUDGMENT IN FAVOR OF** the Plaintiff and **AGAINST** the Defendant as follows:

Monthly fees and NAF Contributions	\$13,004.00
Note principal due	10,254.63
Prejudgment	3,205.56
Attorneys Fees	<u>2,805.00</u>
	\$29,269.19

BY THE COURT:

HERBERT J. HUTTON, J.